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Message Text

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DRAFTED BY EB/ORF/FSE:PKBULLEN;EB/ORF:SWBOSWORTH:MKM
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D:JESPIEGEL(INFO)
S/S-0: RCASTRODALE
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TO AMEMBASSY MEXICO NIACT IMMEDIATE

C O N F I D E N T I A L STATE 142685

EXDIS

E.O. 11652: GDS

TAGS: ENRG, MEX

SUBJECT:MEXICAN NATURAL GAS
REF: MEXICO 9138
1. WE AGREE THAT, UNDER THE CIRCUMSTANCES, AN APPROACH BY YOU TO PRESIDENT LOPEZ PORTILLO OFFERS THE BEST PROSPECT FOR REOPENING DISCUSSIONS ON NATURAL GAS.
2. FOLLOWING ARE SUGGESTED TALKING POINTS FOR YOUR USE WITH LOPEZ PORTILLO:

-- THE US REMAINS INTERESTED IN IMPORTING MEXICAN NATURAL GAS. WE BELIEVE THAT A LONG-TERM ARRANGEMENT FOR SUCH IMPORTS WOULD BE IN THE INTERESTS OF BOTH COUNTRIES.

-- WE HAVE INDICATED TO YOUR GOVERNMENT A NUMBER OF TIMES SINCE DECEMBER THAT FOR OUR PART WE WOULD BE READY TO
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RE-OPEN GOVERNMENT-TO-GOVERNMENT DISCUSSIONS ON THE KEY ISSUES INVOLVED IN A NATURAL GAS TRANSACTION AS SOON AS OUR DOMESTIC GAS LEGISLATION BECAME CLEARER. THE US GAS PRICING COMPROMISE WAS APPROVED BY SENATE AND HOUSE CONFEREES IN LATE MAY.

-- WE HAVE NOTED CAREFULLY WHAT YOU AND AND YOUR

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GOVERNMENT HAVE SAID ON THE GAS PRICE ISSUE.
WE BELIEVE THAT, WITH A CERTAIN DEGREE OF FLEXIBILITY
ON BOTH SIDES, WE CAN REACH A RESULT WHICH WILL BE
POLITICALLY AND ECONOMICALLY ACCEPTABLE TO BOTH
COUNTRIES.

-- OF COURSE, THE ACTUAL CONTRACTS WOULD HAVE TO BE
NEGOTIATED BETWEEN THE US IMPORTING COMPANIES AND PEMEX
AND WILL BE FULLY SUBJECT TO THE US REGULATORY PROCESS.
BUT WE BELIEVE IT IS IMPORTANT TO CLARIFY THE OVERALL
SITUATION ON MAJOR ISSUES AT A GOVERNMENT-TO-GOVERNMENT
LEVEL BEFORE CONTRACT NEGOTIATIONS ARE BEGUN.

-- WE WOULD BE ENTIRELY FLEXIBLE AS TO THE DATE AND PLACE
FOR SUCH GOVERNMENT-TO-GOVERNMENT DISCUSSIONS. WE WOULD
BE WILLING TO SEND A SMALL STATE/DOE TEAM TO MEXICO WITHIN
THE NEXT FEW WEEKS, OR TO RECEIVE A MEXICAN TEAM IN
WASHINGTON. ALTERNATIVELY, WE WOULD BE WILLING TO RECEIVE
A HIGH-LEVEL MEXICAN REPRESENTATIVE IN WASHINGTON (E.G.,
FOREIGN MINISTER AND/OR DIAZ SERRANO)
FOR AN INITIAL EXCHANGE ON THE KEY ISSUES, WITH FOLLOW-
UP TALKS AT THE OFFICIAL LEVEL.

3. FYI WE BELIEVE IT IS BETTER NOT TO GET INTO SPECIFIC
PROPOSALS ON THE ISSUES OF PRICE, ESCALATOR, ETC. IN
YOUR DISCUSSION WITH THE PRESIDENT, BUT RATHER TO SAVE
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THOSE FOR THE DETAILED DISCUSSIONS TO FOLLOW. AS YOU
KNOW, WE ARE WILLING TO ENVISION A 2.60/MCF PRICE FOR
MEXICAN GAS, BUT ONLY IF WE CAN REACH A SATISFACTORY
UNDERSTANDING ON THE DATE ON WHICH THAT PRICE WOULD
BEGIN, THE NATURE OF THE PRICE ESCALATOR, AND THE
DURATION OF THE SUPPLY CONTRACTS. END FYI. VANCE

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